Residential Hotel
Relocation Assistance and Housing Replacement

Relocation assistance would be required for any long-term, low-income tenant displaced by the conversion, demolition, or rehabilitation of the Residential Hotel. Existing SRO Regulations require that a property owner pay a displaced tenant an amount equal to two times the average amount of monthly rent paid over the last twelve months. In recent months, it has become apparent that this amount is insufficient to ensure the successful long-term relocation of tenants and does not adequately reflect the varying needs of tenants due to their varying abilities to pay rent based on their income levels.

The Working Group recommends that the method for determining relocation payments be changed to better reflect the income level of tenants. As such an alternative method has been proposed based on State Relocation law used by Redevelopment Agencies. Relocation law requires a relocation payment that is calculated based on either the difference between current rent or household's ability to pay and new rent after relocation. Working Group members asserted that a relocation assistance payment based on the difference between a tenant's ability to pay and the tenant's new rent after relocation would reflect the need of tenants at varying income levels. The Working Group has recommended that relocation payment be set as the difference between the household's ability to pay and the new rent for a period of 12 months.

In addition, Working Group members recommend that tenants be provided with financial assistance with moving expenses. This would again be based on relocation law which sets this payment dependent upon whether the tenant has furniture or not at $575.00 or $375.000 respectively.

The Working Group has recommended that relocation assistance not be required under a specific scenario. In the case of rehabilitation of a Residential Hotel, property owners could be exempted from providing relocation assistance if they are able to provide comparable size accommodations at cost that does not exceed 110% of the permanent resident's rental charged for the last month of residency preceding his or her relocation.

The requirement that property owners provide replacement housing units enables the City to ensure that the impacts to residents being displaced are minimized by providing that sufficient comparable housing is available when Residential Hotels are removed from the market. However, if the market is able to provide for sufficient new housing without regulation, replacement requirements may be unnecessary.

The City's existing SRO Regulations require a property owner either replace SROs rooms that are removed from the market or pay a fee equal to 50% of the replacement cost. The Working Group has discussed a number of variations on this requirement. After much discussion, the Working Group proposes to include a one-for one replacement requirement; however, it would only be enforced if the total number of Residential Hotel rooms dropped below the threshold described previously in Attachment 2 of this report. It is recommended that the construction of new Residential Hotels Units be closely monitored and reported to the City Council annually. Under this scenario, staff would report to the City Council annually on the level of the threshold

and the total number of rooms in the inventory. If the number of rooms was reported to be below the threshold, the Council could enact the replacement provision in the ordinance.

Some further consideration was given to the development of a mitigation bank system that would allow the market to exchange credits when units are constructed or removed from the market. This program would be developed based on a system found in the Multiple Species Conservation Program (MSCP) that has had proven success. Each new SRO unit built after the new ordinance is passed would be credited to the developer of the unit. The developer would either be able to use those credits to remove other SRO units from the market or sell them to another developer wishing to remove units. This mitigation bank would satisfy the replacement requirement only if the total number of SRO units stays above the threshold. Any attempt to remove SRO units when the total units have fallen below the threshold should trigger the replacement requirement.